



JOHN MORRELL & CO

**M. L. C. PROGRAM**

**(Morrell Ledger Contract)**

**WHO MAY PARTICIPATE**

Producers who produce at least 1,500 head of market hogs per year, are in the Pork Quality Assurance Program (as or actively working to obtain Level III) and meet Morrell's other quality assurance standards and requirements may participate in this program. Morrell reserves the unconditional right to offer or deny the privilege to participate in this program to any producer.

**HOW THE PROGRAM WORKS**

A participating producer agrees to sell 100% of his production of market hogs to Morrell for the contract period that this program is in effect. During this period, the contract price for the producer's hogs will be not less than an established floor price of \$40.00/cwt. Morrell will maintain a separate ledger account reflecting Morrell's purchases of market hogs from the producer. At the beginning of the contract period, the producer's ledger account will have a balance of zero but at any time during the contract period, the account may have a positive or a negative balance.

Whenever the market price of live hogs is less than or equal to the floor price, Morrell will pay the producer based on the \$40.00/cwt. floor price, and will reduce the balance of the producer's ledger account by the difference, if any, between the market price and the floor price per hundred weight of delivered hogs. Conversely, whenever the market price of live hogs is greater than the floor price Morrell will first apply 100% of the difference between the market price and the floor price per hundred weight of delivered hogs to reduce or eliminate a negative balance, if any, in the producer's ledger account. If the ledger account does not have a negative balance (or as soon as the negative balance has been reduced to zero), Morrell will pay the balance of the market price to the producer, except that, whenever the balance of the market price payable to the producer (after reducing any negative balance in the producer's ledger account to zero) exceeds \$43.00/cwt., Morrell will first apply 20% of the difference between the market price and \$43.00/cwt. to build up a reserve (i.e., a positive balance) in the producer's ledger account. The positive balance in the producer's ledger account will never be allowed to exceed an amount equal to \$5.00 times the number of market hogs the producer has projected to produce over the contract period.

At the end of the contract period, if the producer's ledger account shows a positive balance, then Morrell will pay this amount to the producer in cash, without interest, within 30 days; or, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days.

### MARKET PRICE DEFINED

For purposes of this program, market price refers to the mid-morning (11:00 a.m.) Iowa Minnesota plant practical top (as quoted on the D.T.N.) on a three-day average prior to the kill date plus (+) \$1.00/cwt.

Example (for hogs killed on Friday):

Tuesday quote	\$47.50 - 48.00 F. 47.00 (pract. top 48.00)
Wednesday quote	\$46.50 - 47.50 F. 48.00 (pract. top 47.50)
Thursday quote	\$47.00 - 48.00 F. 46.50 (pract. top 48.00)

Market price (based on three-day average) is:  $\$47.83 + 1.00 = \$48.83$

All prices referenced herein are for plant-delivered market hogs at Morrell's facilities at either Sioux Falls, South Dakota, or Sioux City, Iowa. Destinations and delivery dates must be approved by Morrell prior to each delivery. Morrell reserves the right to direct the delivery of hogs to facilities other than the one facility referenced to on Participation Agreement as "primary delivery facility" at any time, in which event Morrell will adjust the price payable hereunder to fully compensate the producer for any difference in freight charges incurred.

Prices under this program will be determined in conjunction with the carcass merit program of Morrell in effect at the time of delivery. Morrell reserves the right to modify its carcass merit program at any time during the term to respond to changes in industry standards, product marketability, and advances in evaluation procedures.

### THE PRODUCER'S OBLIGATIONS

Producers who participate in this program agree to permit a licensed veterinarian approved by Morrell to inspect and supervise their hog production operations, to use and administer all applicable drugs properly and to adhere to the prescribed withdrawal procedures thereto. Producer must make John Morrell & Co. aware of his or her delivery intentions for the week no later than 4:00 p.m. Thursday of the week prior. Producer must deliver production on an evenly distributed level throughout the year.

### TERMINATION

The producer's right to participate in this program will expire at the end of the contract term. Renewal or extension of the contract term may occur only with the written consent of John Morrell & Co. and the producer.

Morrell reserves the right to terminate a producer's right to participate in this program before the end of the contract period if the producer defaults in his obligation to deliver 100% of his marketable production of market hogs or if he otherwise fails to perform any material obligation hereunder. Morrell may also discontinue this program at any time if Morrell should permanently withdraw from the

business of slaughtering hogs at its facilities in Sioux City, Iowa or Sioux Falls, South Dakota. Upon any such termination, if the producer's ledger account shows a positive balance, then Morrell will pay this amount to the producer in cash, without interest, within 30 days; or, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days. Termination will not limit Morrell's right to recover from the producer for any loss, damage or liability Morrell may incur as the result of the producer's default.

### **FORCE MAJEURE**

Neither party shall be liable for failure to perform or delay in performing any act hereunder if such performance is rendered impossible by reasons of matters beyond the reasonable control of the party, including but not limited to acts of God, strikes, lockouts, picketing, wars, blockades, riots, disease, epidemics, fire storms, floods, or explosion. These actions shall include but not be limited to:

(i) A failure to settle or prevent any strike or controversy with employees or with anyone purporting or seeking to represent employees shall be considered a matter beyond the reasonable control of the party affected under this subsection, provided such strike affect said party's performance of the requirements of this agreement; and

(ii) Any inability of producer to supply hogs due to an outbreak of disease, or failure to receive sufficient weaning pigs, or governmental action limiting or stopping production.

Once production becomes commercially possible, the responsibilities and obligations of the parties shall resume again with full force and effect. Where either party claims an excuse for non-performance under this Section, it shall give prompt telephonic notice promptly confirmed by written notice of the occurrence and estimated duration of the Force Majeure event to the other party; and it shall give prompt written notice when the Force Majeure event has been remedied and performance can re-commence hereunder.

### **MISCELLANEOUS**

An eligible producer desiring to participate in this program must complete, sign and submit to Morrell for approval the attached program participation agreement. The producer is not entitled to participate in the program until his participation agreement has been reviewed and approved by an authorized officer of Morrell. This document, together with the participation agreement, constitutes the entire agreement between Morrell and the producer with respect to the program and may not be modified or amended in any respect by oral statements or course of dealing. Morrell reserves the right to assign its interest in this program to any purchaser of any substantial part of Morrell's assets or business. This program is governed in all respects by the laws of the State of South Dakota.



JOHN MORRELL & CO

**M. L. C. Program Participation Agreement**

On behalf of the producer identified below (the "Participant"), I have carefully reviewed and hereby accept the terms and conditions of the John Morrell & Co. Ledger Program. I understand that as a participant in the Ledger Program, the Participant is required to sell 100% of his production of market hogs to Morrell.

Date: \_\_\_\_\_

Term: \_\_\_\_\_

\_\_\_\_\_  
(Producer's Authorized Signature)

Full Name of Producer: \_\_\_\_\_

Trading or Doing Business as: \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Program Effective Date: \_\_\_\_\_

Participant's Annual Production: \_\_\_\_\_

Primary Delivery Facility: \_\_\_\_\_

Financial Institution to Contract for Credit Check: \_\_\_\_\_  
\_\_\_\_\_

Acceptance by John Morrell & Co.

By: \_\_\_\_\_

Title: \_\_\_\_\_



JOHN MORRELL & CO

## MONTHLY PRODUCTION ESTIMATES

Producer Name: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

YEAR	MONTH	HEAD PROJECTED
	JANUARY	
	FEBRUARY	
	MARCH	
	APRIL	
	MAY	
	JUNE	
	JULY	
	AUGUST	
	SEPTEMBER	
	OCTOBER	
	NOVEMBER	
	DECEMBER	

Comments relating to changes from prior projections.

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